

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

**California Independent System
Operator Corporation**

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Docket No. ER15-861-004

**MOTION FOR LEAVE TO ANSWER AND ANSWER OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION
TO PROTESTS AND COMMENTS ON COMPLIANCE FILING**

The California Independent System Operator Corporation (“CAISO”) moves for leave to answer and submits this answer to protests and comments filed by parties regarding the CAISO’s August 28, 2015 filing in compliance with the Commission’s July 21, 2015, order in this docket.¹ The protests and comments identify no failure to comply with the July 21 Order and raise no issues that would justify revision or rejection of the CAISO’s proposed compliance tariff revisions. The Commission should accept the CAISO’s tariff revisions as filed.

I. BACKGROUND

On January 15, 2015, the CAISO proposed revisions to its tariff provisions governing the Energy Imbalance Market (“EIM”) that would apply to each new

¹ *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,063 (2015) (“July 21 Order”). The CAISO files this answer pursuant to Rules 212 and 213 of the Commission’s Rules of Practice and Procedure, 18 C.F.R., §§ 385.212, 385.213. Rule 213(a)(2) prohibits answers to protests absent permission of the Commission and the CAISO hereby moves for leave to make the answer to the protest. Good cause for this waiver exists here because the answer will aid the Commission in understanding the issues in the proceeding, provide additional information to assist the Commission in the decision-making process, and help to ensure a complete and accurate record in the case. See, e.g., *Equitrans, L.P.*, 134 FERC ¶ 61,250, at P 6 (2011); *Cal. Indep. Sys. Operator Corp.*, 132 FERC ¶ 61,023, at P 16 (2010); *Xcel Energy Services, Inc.*, 124 FERC ¶ 61,011, at P 20 (2008).

entity joining the Energy Imbalance Market during such EIM entity's initial year of participation.² The CAISO proposed to provide a transition period for new EIM entities. The CAISO explained that implementing, participating in, and integrating into a centralized market framework constitutes a significant paradigm shift for new EIM entities and requires a period of time to allow these entities to gain important experience, make necessary system, operational, and functional changes and mature their practices to ensure that they can manage market systems and processes efficiently and effectively.

Although it rejected the proposed tariff amendments in a March 16, 2015 order,³ the Commission concluded that readiness safeguards were necessary prior to full activation of any new EIM entity in the Energy Imbalance Market. It therefore directed the CAISO to submit a compliance filing, within 60 days, to revise the tariff to include requirements to ensure readiness prior to new EIM entities commencing Energy Imbalance Market operations.⁴ The Commission

² Specifically, the CAISO proposed that the CAISO would determine prices for intervals that experience transmission or system balance constraints within the new EIM entity's balancing authority area by using the last economic bid to establish the market clearing price, rather than using the existing tariff's \$1,000/MWh penalty price. Under the proposal, for a 12-month transition period after a new EIM Entity commences operations in the EIM, the CAISO would have set the flexible ramping constraint relaxation parameter between \$0 and \$0.01 (instead of \$60).

³ *Cal. Indep. Sys. Operator Corp.*, 150 FERC ¶ 61,191 (2015) ("March 16 Order").

⁴ *Id.* at P 34. The Commission also instituted a proceeding under section 206 of the Federal Power Act, in Docket No. EL15-53, to investigate the justness and reasonableness of the EIM provisions in CAISO's tariff as a result of imbalance energy price spikes in PacifiCorp's balancing authority area. The CAISO had described these price excursions in its tariff filing and in previous filings in which the CAISO sought temporary waiver of the pricing parameters in sections 27.4.3.2 and 27.4.3.4 of its tariff. *Id.* at P 31. The Commission has subsequently issued additional orders regarding these issues. See *Cal. Indep. Sys. Operator Corp.*, 151 FERC ¶ 61,247 (2015); *Cal. Indep. Sys. Operator Corp.*, 152 FERC ¶ 61,060 (2015). On August 19, 2015, the CAISO filed a tariff amendment in these dockets intended to resolve these issues.

further required that other entities in the process of joining the Energy Imbalance Market must certify their market readiness by filing, 30 days prior to the entity joining the Energy Imbalance Market, a sworn affidavit from an officer of the company attesting that the new EIM entity's system is ready, including all communication systems and transparency to the CAISO of its units' status.⁵

On May 6, 2015, the CAISO filed tariff revisions to comply with the March 16 Order. The compliance filing added two new sub-sections to section 29.2(b) of the CAISO tariff—29.2(b)(4) and 29.2(b)(5)—that implemented the Commission's specific directives. Based upon its understanding of the March 16 Order, the CAISO did not include the specific criteria in its tariff revisions.

In the July 21 Order, the Commission accepted in part and rejected in part the CAISO's compliance filing. Specifically, the Commission rejected section 29.2(b)(4)(B). It found that the readiness activities and certificate requirements in sections 29.2(b)(4)(C) and 29.2(b)(5) partially complied with the March 16 Order, and therefore conditionally accepted these provisions. It accepted the proposed tariff revisions in section 29.2(b)(4)(A) requiring CAISO and the potential EIM Entity to make a readiness determination.⁶ The Commission also directed the CAISO to clarify certain tariff revisions proposed in its May 6 compliance filing. Relevant to the August 28 filing, the Commission directed the CAISO to include the readiness criteria for new EIM entities in the tariff.⁷ The Commission directed a compliance filing within 60 days.

⁵ March 16 Order at n.85.

⁶ July 21 Order at P 28.

⁷ *Id.* at P 29-30.

Following the July 21 Order, the CAISO worked with stakeholders to refine the readiness criteria that it had developed subsequent to the March 16 Order. The CAISO prepared and posted an initial draft of the proposed tariff provisions for stakeholder review on July 31, held a stakeholder conference call on August 10, requested that stakeholders submit written comments by August 14, and posted the CAISO's responses to the written stakeholder comments on August 19, 2015. The CAISO held a final conference call with stakeholders on August 19, 2015, to discuss the CAISO's responses to the written comments on the draft tariff provisions.⁸

Over the course of the stakeholder process on the readiness criteria, the CAISO made significant changes to the criteria based on comments provided by stakeholders and the CAISO's own review.⁹ On August 28, 2015, the CAISO made a compliance filing with proposed tariff changes that reflect the totality of the CAISO's engagement with stakeholders.

Seven parties have filed comments or protests concerning the compliance filing. NV Energy, Pacific Gas and Electric Company, PacifiCorp, and Puget Sound Energy commented favorably on the filing. Bonneville Power Administration ("Bonneville"), Powerex Corporation ("Powerex"), and the Western Power Trading Forum ("WPTF") submitted comments criticizing certain aspects of the filing. WPTF also protested the filing.

⁸ Declaration of Janet Morris, Attachment C to August 28 Compliance Filing in this docket, at ¶¶ 12-13.

⁹ *Id.* at ¶ 14.

II. ANSWER

As a general matter, the critical comments neglect the distinctions among the filing in this sub-docket and two other separate filings by the CAISO in response to the directives issued by the Commission in the March 16 Order.¹⁰ In response to those directives, the CAISO undertook significant efforts to understand the root causes of infeasibilities, and the CAISO has presented its findings in monthly informational reports filed with the Commission, in presentations at the technical conference hosted by the Commission earlier this year, and in comments filed subsequent to the technical conference. These findings included analyses performed by the CAISO showing that the infeasibilities were not occurring as the result of any actual capacity insufficiencies in the PacifiCorp balancing authority areas, but rather were the result of (1) “learning curve” challenges associated with integrating a new EIM entity into the Energy Imbalance Market, which sometimes caused the Energy Imbalance Market to operate based on imperfect information regarding actual imbalance conditions; and (2) a structural limitation in the current design of the Energy Imbalance Market, namely the lack of visibility to the market of capacity that is available to meet load in an EIM entity balancing authority area beyond EIM entity mandatory flexible capacity requirement and as such not required to bid into the Energy Imbalance Market.¹¹

¹⁰ See Docket No. ER15-861-003 and Docket No. ER15-2565-000.

¹¹ See CAISO Transmittal Letter and Answer filed in Docket No. ER15-861-003 at 9-10.

Based on these findings, the CAISO developed a multi-pronged solution involving the following: (1) enhanced readiness criteria to reduce, as much as possible, the potential for “learning curve” issues to occur during initial EIM entity operations that could result in market infeasibilities, which is the subject of this proceeding; (2) a proposal for a transition period shorter than that originally proposed (6 months) for new EIM entities to address learning curve issues that the readiness activities cannot resolve, which is pending before the Commission in Docket No. ER15-2565; and (3) the available balancing capacity proposal to address the structural limitation described above, which is the subject of Docket No. ER-15-861-003. These three proposals work in harmony to address the totality of the issues identified during the first year of EIM operations and to satisfy the Commission’s directives in the March 16 Order. There is no reason to expand the readiness criteria filed in this proceeding to consider issues being addressed in the other proceedings. The proposed readiness criteria reasonably test whether the systems and processes of a prospective EIM entity are ready to commence financially binding production operation.

A. The Criteria Regarding Sufficiency Tests Demonstrate Readiness

Powerex contends the CAISO’s proposed readiness criteria and thresholds are not rigorous enough to protect against a recurrence of the difficulties that followed the initiation of PacifiCorp’s participation in the Energy Imbalance Market. Powerex argues that the proposed criteria and thresholds for the resource sufficiency tests only require the most minimal demonstration that

the prospective EIM entity can satisfy such requirements, and only for a limited and non-representative period of time.¹²

Powerex is critical of the 90 percent threshold for demonstrating the ability to pass the flexible ramping sufficiency test. It argues that PacifiCorp's balancing authority area could have passed the proposed criterion for readiness during the initial month of EIM operations, but that would not have ensured that sufficient flexible resources are bid into the Energy Imbalance Market. Powerex states that the CAISO has failed to provide any reasonable explanation why the limitations of market simulation and parallel operation require adopting more permissive criteria for demonstrating readiness to satisfy resource sufficiency requirements. For example, Powerex finds it unclear why the measurement and data limitations that the CAISO identifies do not instead support the use of a more rigorous threshold or the inclusion of a greater number of days over a longer period of time to assess readiness.¹³ It asks that the Commission direct the CAISO to modify its proposed threshold to ensure that it provides a meaningful assessment of a prospective EIM entity's resource sufficiency by requiring each prospective EIM entity to pass the flexible ramping sufficiency test in every hour for an extended period of time prior to being permitted to integrate into the Energy Imbalance Market.¹⁴ Powerex contends that stronger criteria are needed

¹² Powerex Comments at 8.

¹³ *Id.* at 10-13.

¹⁴ *Id.* at 13.

because the flexible ramping sufficiency test only ensures sufficient capacity in 95% of system conditions.¹⁵

Powerex also contends that it is unclear whether the proposed tariff language requiring the prospective EIM entity to pass 90% of the time means that it must pass the test in (1) 90% of the total hours of the five days or (2) 90% of the hours on each of the five days. Powerex also believes the tariff language is unclear as to how the CAISO will select the days on which it will assess the prospective EIM entity's ability to pass the flexible ramping sufficiency test.¹⁶

Bonneville requests that the Commission require the CAISO to demonstrate that there are sufficient resources participating in the Energy Imbalance Market to achieve just and reasonable results. Bonneville further states that if the CAISO does not intend to make such a showing through the readiness criteria, the Commission should require it to describe when and how it will make such a showing.¹⁷

Contrary to the expressed concerns, the readiness criteria apply a rigorous test of the capability of the prospective EIM entity to meet the CAISO's resource sufficiency tests, which include a balance test, a capacity test, and a ramping test. The ability of the prospective EIM entity to pass the resource sufficiency tests in satisfaction of the readiness criteria will demonstrate that it is capable of meeting the resource sufficiency requirements in production. It is not

¹⁵ *Id.* at 14.

¹⁶ *Id.* at 10 n. 35.

¹⁷ Bonneville Comments at 4.

necessary to continue such tests beyond a reasonable number of typical days during parallel operations, and five individual days as proposed by the CAISO is reasonable.¹⁸ As the CAISO explained in its transmittal letter, the limitations of the parallel operation environment make it more challenging to pass the resource sufficiency evaluation than in production.¹⁹ These limitations support the CAISO's thresholds rather than undermine them as Powerex argues.

Powerex's arguments that stricter readiness criteria are needed because the resource sufficiency tests are inadequate²⁰ misunderstand the nature of the readiness criteria. The Commission did not expect the readiness criteria to completely resolve every issue that gave rise to the section 206 proceeding. In the March 16 Order, the Commission, in addition to directing readiness activities, directed the CAISO to investigate and through a technical conference "further explore certain EIM pricing issues, given the challenges experienced during PacifiCorp's implementation."²¹ Consistent with its course of action set out in the

¹⁸ The prospective EIM entity will be tested for flexible ramping capability throughout parallel operations. The prospective EIM entity must pass the test in 90 percent of the hours for at least five individual days. The individual test days are not predetermined, but the CAISO expects to review the actual days and confirm that a variety of conditions were tested, such as a weekday and a weekend day.

¹⁹ CAISO Transmittal Letter filed in ER15-861-004 at 18-19.

²⁰ Powerex understates the nature and extent of the CAISO's resource sufficiency evaluation. The resource sufficiency evaluation consists of three separate tests. First, the EIM entity must pass the balancing test that requires that its base schedules match its forecasted load. Second, and perhaps most importantly, the EIM entity must ensure it has sufficient aggregate incremental and decremental bid-in capacity to meet the shortfall or surplus identified in the balancing test. Third, the EIM entity's bid-in resources must have sufficient flexible ramping capability to meet the uncertainty as outlined in the CAISO tariff and business practice manuals. Powerex's narrowly focused reference to the 95 percent confidence level, which applies to only the flexible ramping test, distorts the comprehensive nature of the resource sufficiency evaluation being tested.

²¹ Powerex's and Bonneville's comments fail to recognize the distinction between the readiness criteria and other measures the CAISO has proposed to address the Commissions

March 16 Order, the Commission further directed the CAISO to file tariff language for its proposed remedy.²² These additional activities would have been unnecessary had the Commission expected that the readiness activities alone could solve all the issues identified after the launch of the Energy Imbalance Market.

As noted above, the CAISO has investigated the root causes of the issues experienced last fall and proposed an appropriate remedy to rectify a structural market design issue that contributed to an inability of market systems to recognize capacity the EIM entity has available to manage its system reliably.²³ The prospective EIM entity's identification of the available balancing capacity that it intends to use is one of the readiness criteria and is linked to the testing of that proposal's implementation. The Commission should reject Powerex's attempts to impose the equivalent of a must-offer requirement upon the Energy Imbalance Market by including additional resource sufficiency requirements in the readiness criteria.²⁴ The Commission should evaluate the CAISO's compliance filing in this

directives in the March 16 Order, namely the available balancing capacity proposal and the transitional measures. This filing concerns only the readiness criteria, which the Commission directed the CAISO implement in the March 16 and July 21 Orders in order to ensure the readiness of the *systems and processes* of the EIM entity.

²² 152 FERC ¶ 61,060 at P 25.

²³ It is important to note that PacifiCorp has made significant progress to reduce infeasibilities since the March 16 Order, even with limited EIM transfers in the 5-minute market and without the benefit of balancing capacity beyond its bid-in capacity. As the CAISO noted in its recent filing in ER15-2565 proposing a transitional period for new EIM entities, after about 6 months of operations PacifiCorp brought the infeasibilities below 1% of the intervals. See also Docket No. ER15-402, July 2015 Report, Figures 3 and 4 (showing that infeasibilities were 1.04% in the combined 5 minute market and .07% in the combined 15 minute market). The addition of NV Energy will unlock additional EIM transfers, particularly between NV Energy and PacifiCorp's east balancing authority areas, thus further reducing infeasibilities.

²⁴ Resource adequacy issues are generally associated with load serving obligations, not balancing authority functions or imbalance energy services.

proceeding based on the intended purpose of the readiness criteria—to ensure that the prospective EIM entity is prepared to participate in the Energy Imbalance Market as designed—not on whether the EIM entity is prepared to participate in a differently designed Energy Imbalance Market.

Powerex also mischaracterizes the 90% threshold proposed in the readiness criteria. The 90% threshold does not relax the flexible ramping capability test. As discussed previously, the three separate tests conducted each hour include: the balancing test, which requires that base schedules match forecasted load; the capacity test, which requires sufficient aggregate incremental and decremental bid in capacity to meet the shortfall or surplus identified in the balancing test; and the ramping test, which requires that bid in resources have sufficient flexible ramping capability to meet the uncertainty calculated by the CAISO. These three tests apply during parallel operations, and the prospective EIM entity must meet those tests just as it would during actual operations, including the 95% confidence level used to determine appropriate levels of flexible capacity requirements in all of the CAISO real-time markets, including the Energy Imbalance Market.²⁵ The 90 percent threshold merely establishes that the prospective EIM entity is able to pass the test with sufficient frequency in a given day so it can be ready for participation in the Energy

²⁵ The 95% confidence interval used by the CAISO is part of the CAISO's determination of the procurement target for flexible ramping capacity. As provided in Section 27.10 of the CAISO tariff, the quantity of the flexible ramping capacity for each applicable CAISO market run, which includes the EIM, is determined by CAISO operators using tools that estimate the: (1) expected level of imbalance variability; (2) uncertainty due to forecast error; and (3) differences between the hourly, fifteen minute average and historical five minute demand levels.

Imbalance Market.²⁶ Considering the practical limitations of parallel operations, including that production e-tag information is not useful when submitting base schedule and other information required for the resource sufficiency evaluation, passing the relevant tests 90 percent of the time is reasonable. As the CAISO explained in its transmittal letter, the limitations of the parallel operation environment make it more challenging to pass the resource sufficiency evaluation than in production.²⁷ These limitations support the CAISO's thresholds rather than undermine them as Powerex argues.

Finally, Bonneville's request that if the CAISO does not intend to make a showing that there are sufficient resources participating in the Energy Imbalance Market to achieve just and reasonable results through the readiness criteria, the Commission should require it to describe when and how it will make such a showing, is beyond the scope of this compliance proceeding. This subdocket concerns solely the CAISO compliance with the Commission's directives in the July 21 Order. Bonneville's request is not responsive to any of those directives. Further, the Commission will address the issue in its ruling on the CAISO's filings in Docket Nos. ER15-861-003 and EL-53-000.

²⁶ EIM transfers are tested in parallel operations during designated periods to ensure proper coordination among balancing authorities. EIM transfers above or below base schedules are likely to occur far more frequently in production and be available to resolve infeasibilities that otherwise might have occurred when an EIM entity passes the flexible ramping capability test.

²⁷ CAISO Transmittal Letter filed in ER15-861-004 at 18-19.

B. The Proposed Criteria Are Sufficient To Ensure the Ability To Process Energy Imbalance Market Settlements in a Timely Manner.

Powerex believes that the CAISO's criteria to ensure the accuracy of Energy Imbalance Market settlements are lacking because (1) they require only that CAISO and the prospective EIM entity verify the accuracy of settlement statements and invoices and do not allow for customer review, (2) there is no criterion or threshold proposed to measure "accuracy," and (3) the CAISO qualifies the requirement as based on "available data," with no discussion regarding the limitations of data availability during the parallel operation period over which the accuracy of settlements will be assessed. It recommends that the Commission require the CAISO and the prospective EIM entity to issue draft settlements statements and invoices to market participants and transmission customers for at least two complete billing cycles during parallel operation.²⁸

The CAISO believes that the requirement that it and the prospective EIM entity prepare and issue two full days settlement statements during parallel operation is sufficient to test the readiness of the prospective EIM entity's settlement systems and processes. The charge codes have been configured at this point in the implementation process and are generally all triggered on any given trade day. Therefore, the NV Energy settlements systems and processes would be fully exercised in just two trade days. As to Powerex's specific request, Powerex is unclear about what it considers a settlement cycle. The CAISO issues settlement statements for each day, so the requirement that the

²⁸ Powerex Comments at 16-17.

prospective EIM entity issue settlement statements for two full days during parallel operations would meet Powerex's request. On the other hand, if Powerex intends settlement cycle to refer to the full settlement period under a prospective EIM entity OATT, if the prospective EIM entity settles monthly then its comment could require that parallel operations continue for 60 days prior to certification, which, including the 30-day notice requirement, would result in at least 90 days of parallel operations. The July 21 Order did not require this, and requiring 90 days of parallel operations would be contrary to the Commission's directive.

C. The CAISO's Planned Software Update Does Not Require a Delay in NV Energy's Participation in the Energy Imbalance Market.

Powerex expresses concern about the CAISO plans to implement "significant changes" to its software on October 27, 2015, five days before NV Energy's integration into the Energy Imbalance Market. Powerex contends that CAISO's decision to implement significant modeling changes and the Energy Imbalance Market in quick succession last year created serious price formation issues in the CAISO markets and asserts that it is essential that the CAISO have adequate time to verify that it has successfully implemented one market change before making another. Powerex urges the Commission to direct the CAISO to ensure that the implementation of new market software does not occur within 30 days of integrating a new EIM entity.²⁹

²⁹ *Id.* at 17-18.

Powerex's vague and unsupported assertions that the CAISO's software updates were connected with price formation issues do not justify delaying expansion of the Energy Imbalance Market. The CAISO has for some time bundled multiple software changes into its fall and spring release cycles. Contrary to Powerex's suggestion, this minimizes risks by ensuring support staff from the CAISO and software vendors are focused and available to quickly resolve issues. Moreover, it minimizes the periods in which market participants must be available to do the same and to confirm the accuracy of the results. By improving the operation of the CAISO's markets, the fall upgrade will facilitate, not hinder, the integration of NV Energy into the Energy Imbalance Market.

D. The Proposed Criteria Need Not Address an EIM Entity's Contractual Arrangements for Transmission Capacity.

Powerex criticizes the readiness criteria for failure to require new EIM entities that plan to use third-party transmission to demonstrate that they have actually secured the necessary rights and authorizations from third-party transmission service providers to facilitate their participation in the Energy Imbalance Market. It asks the Commission to require the CAISO to revise its proposed criteria to explicitly require that (1) the prospective EIM entity has entered into any necessary contractual arrangements with appropriate third-party transmission providers, and (2) the relevant third-party transmission providers have represented that they are ready to accommodate such service, as well as

identified any limitations or constraints on the ability of the EIM entity to use its system to support EIM transfers.³⁰

Bonneville makes similar arguments. It contends that simply acquiring point-to-point transmission service may be insufficient because additional contractual arrangements may be necessary, because five-minute schedules rely on dynamic scheduling, which is negotiated on a case-by-case basis, and because it may be necessary to coordinate the transmission rights of the EIM entity and independent power producers that may choose to participate.³¹

The CAISO continues to believe that determining contractual third-party transmission service arrangements remains a matter to be decided between the third-party and the prospective EIM entity. The CAISO supports such efforts, but they are not a factor involved in readiness. A prospective EIM entity can decide to participate in the Energy Imbalance Market without any such contractual arrangements because the CAISO can dispatch resources within the new EIM entity's balancing authority area without the use of EIM transfers. The value of participation might suffer from the lack of EIM transfer capability, but a prospective EIM entity should not be precluded from deciding to commence production operations even if third-party transmission service provider arrangements are not in place. That decision should be left to the prospective EIM entity, not dictated by the CAISO's readiness criteria.

³⁰ *Id.* at 15.

³¹ Bonneville Comments at 2-3.

In response to comments by Bonneville, the CAISO has proposed readiness criteria to ensure that the network model represents third-party transmission system information and establish effective communications with third-party transmission service providers. These criteria will ensure that the systems and procedures representing any necessary third-party arrangements have been tested.

The CAISO also believes that third-party transmission service provider involvement in the certification would be inappropriate because they are not directly involved in the implementation and their interest can be addressed with the prospective EIM entity. The March 16 Order requires only certification by the CAISO and the prospective EIM entity. Bonneville and Powerex did not seek rehearing of this determination in the March 16 Order. The Commission should recognize that third-parties will have an opportunity to comment on the fulfillment of the relevant criteria. This avoids the potential for a third-party to unreasonably withhold its certification yet provides them an opportunity to comment if they have concerns.

E. The Proposed Criteria Maintain an Appropriate Balance Between Flexibility and Sufficient Specificity To Ensure the Readiness of a Prospective EIM Entity

WPTF states its supports for the addition of a senior officer attestation, the effort to increase the specificity of the readiness criteria, and the increased readiness reporting, but nonetheless expresses concern about what it describes as the lack of specific criteria, which may not be effective at ensuring subsequent EIM entities are ready for operations. WPTF has only two specific comments in this regard. First, it states that the phrase “adequate period of parallel

operations” used in section 29.2(b)(5) is vague and does not provide assurance that sufficient parallel operations will occur. WPTF recommends that the phrase be changed to “adequate period of parallel operations no less than one calendar month.”³² Second, it states its concern that the process for exemptions is not clearly established. It quotes the portion of the business practice manual for the Energy Imbalance Market that requires the CAISO to provide notice of exceptions and argues that this does not describe a process or a standard for granting exemption. WPTF believes that allowing exemptions with only the obligation to explain after the fact weakens all readiness criteria and makes them significantly less meaningful.³³

WPTF apparently did not notice that the CAISO has already addressed its first concern in response to stakeholder comments, even though the July 21 Order specifically granted the CAISO discretion to determine what represents an adequate period of parallel operations prior to the certification of readiness.³⁴ Section 29(b)(4)(B) of the CAISO compliance tariff revisions calls for a period of parallel operations “not less than 30 days.”

WPTF’s argument regarding the process for exceptions neglects to identify other relevant language in the draft version of the business practice manual dated August 28, 2015 and included as Attachment D to the CAISO’

August 28 filing:

Any exception to a threshold would be reviewed by the responsible staff, escalated to the senior officers ultimately responsible for

³² WPTF Comments and Protest at 3.

³³ *Id.* at 4.

³⁴ July 21 Order at P 32.

certification, and then documented in the readiness report that supports the certification. The CAISO and the prospective EIM Entity will engage in a collaborative approach to satisfy the readiness criteria and endeavor to make decisions based on consensus between the parties. Both parties will strive to avoid exceptions by providing comprehensive updates and proactively managing issues and risks. When an exception is required, it will be defined by specifying what is not conforming and why an exception is necessary.³⁵

This represents the procedure by which the CAISO will consider exceptions and, as explained in the transmittal letter, the willingness of a senior officer to attest to its reasonableness represents the standard for providing an exception.

More generally, the July 21 Order specifically permitted the CAISO to include thresholds in the business practice manual.³⁶ The CAISO's proposal to identify the measurable quantities in the tariff and the thresholds in the business practice manual represents a balance between specificity and flexibility that is consistent with the Commission's directives. If WPTF disagreed with the July 21 Order, its remedy was to seek rehearing of that order, not to protest the CAISO's compliance filing.

F. There Is No Need for a Six-Month Compliance Report.

WPTF asks that if the Commission accepts the CAISO's readiness criteria proposal, the Commission should require the CAISO to submit a compliance filing six months after NV Energy begins participating in the Energy Imbalance Market that reports on the transition and first six months of NV Energy's

³⁵ Energy Imbalance Market (EIM) Entity Readiness Criteria, Attachment D to August 28 Compliance Filing at 13.

³⁶ July 21 Order at P 30 n.73.

operations in the markets, comments on lessons learned or deficiencies identified from that transition, and propose revised processes, criteria, or threshold approaches to be applied to subsequent Energy Imbalance Market implementations.³⁷

CAISO has already made a commitment to review and improve the readiness thresholds based on lessons learned from each new EIM entity.. Moreover, the CAISO's transitional measure proposal includes a specific commitment to continue issuing monthly reports during the transition period. WPTF fails to show why these obligations are insufficient. The CAISO does not believe it is necessary to burden the CAISO with additional reporting and compliance requirements.

G. The CAISO's Proposal for a Transition Period Does Not Indicate that the Readiness Criteria Are Insufficient.

WPTF asks that the Commission consider the readiness criteria in conjunction with the CAISO's pending proposal for a transition period for new EIM entities during which it would not enforce penalty prices when relaxing certain constraints in the new EIM entity balancing authority area. WPTF contends that this filing suggests that the CAISO does not have a high degree of confidence in the ability of its readiness protocols to vet the true state of readiness.³⁸

WPTF confuses the distinct purposes of the readiness criteria and the transitional measures. The readiness criteria are intended to ensure the

³⁷ WPTF Comments and Protest at 4-5.

³⁸ *Id.* at 5.

prospective EIM entity's systems and process are ready to commence financially binding operations. As explained by the CAISO in its transitional measure filing, there are learning curve issues that will not become apparent during parallel operations due to the limitations of the simulated environment. The transitional measure proposal provides a limited period for each new EIM entity to resolve any learning curve issues that otherwise might result in infeasibilities.

H. Bonneville's Additional Requests Are Beyond the Scope of this Proceeding.

Bonneville makes two additional requests of the Commission. First, it requests that the Commission require the CAISO to demonstrate it has correctly rectified the problems that led to the institution of the section 206 proceeding in Docket No. EL15-53. Next, it asks that the CAISO identify criteria for evaluating a new EIM entity's performance once it has entered binding operations, but while it is still in the proposed transition period.³⁹

Each of these matters is beyond the scope of this proceeding. This sub docket concerns solely the CAISO's compliance with the Commission's directives in the July 21 Order. Bonneville's requests are not responsive to any of those directives. Further, the Commission will address the first in its further rulings in Docket No. EL-53.

III. CONCLUSION

For the foregoing reasons, the CAISO requests that the Commission accept the CAISO compliance tariff provisions as filed.

³⁹ Bonneville Comments at 3-5.

Respectfully submitted,

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Dated: September 25, 2015

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon all of the parties listed on the official service lists for the above-referenced proceedings, under the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Washington, DC this 25th day of September, 2015.

/s/ Daniel Klein

Daniel Klein